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International Court of Justice

USA-633 (3727-PS)

H3220-0002

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OFFICE OF CHIEF OF COUNSEL FOR WAR CRIMES

EVIDENCE DIVISION

Date : 22 July 1948

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Fred NIEBERGALL
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C E R T I F I C A T E

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Nuremberg, 6 July 1948

Paul Joosten

PAUL A. JOOSTEN

General Secretary
International Military
Tribunal

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Testimony of HJALMAR SCHACHT, taken at Nurnberg, Germany, 13 October 1945, 1430-1630, by Lt. Colonel M.I. Gurfein, OUSCC.
Also Present: Miss Evelyn Low, Reporter.

I thought we could continue. I discovered when I came back to Frankfurt that you had come down here in the meantime. I just want to continue on the record.

You realise that you are still under oath?

A. No, I have never been.

Q. Will you stand please. Do you solemnly swear to tell the truth, the whole truth and nothing but the truth, so help me God.

A. I do.

Q. I was looking over one of the statements that you made to Major Tilly and there was a sentence there that I wondered if you could explain. I copied it down, as follows: "In order to divert Hitler's attention from German expansion to the East which could not have been achieved without war, I started very early to win Hitler to a colonial policy". Do you remember saying that?

A. Yes.

Q. Now I want to ask you first how early was that when you say "very early"?

A. I think in 1932 already. It has always been in my mind.

Q. And you had discussions as early as 1932 about it with Hitler?

A. Oh certainly, from 1931. About everything - many questions.

Q. Such as what?

A. Economic and political and whatever it was - social, unemployment.

Q. But this particular point of foreign policy, you were the proponent, as you explained it, of the view that Germany, should get colonies rather than that there should be an expansion to the east?

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A. I don't know what it means - "proponent". The question of colonies has always been discussed by me since 1920. - Even before that.

Q. And you wrote an article, as a matter of fact, on foreign affairs particularly?

A. Yes.

Q. In which you urged that Germany should obtain colonies?

A. Yes.

Q. In these early discussions that you had with Hitler concerning the desirability of trying to get colonies for the Reich, what position did Hitler take with respect to that?

A. He was not so much interested in colonial matters and did not lay much stress upon the colonial question at that time - only later.

Q. In other words, at the time of your talks with Hitler in 1931 and 1933 concerning colonial policy, you did not find him, shall we say, enthusiastic about the possibility?

A. Not enthusiastic and not very much interested.

Q. But he expressed to you what his views were alternatively to the possibility of obtaining colonies?

A. No. We didn't go to other alternatives.

Q. You told Major Tilly - that is why I read this , because I would like to get the details of it a little more clearly from an historical point of view - you told Major Tilly in substance that you started very early to talk him into a colonial policy in order to divert his attention from the east. What was there in what he said that led you to believe that he was intending to move towards the east?

A. That is in Mein Kampf. He never spoke to me about that but it was in Mein Kampf.

Q. In other words, as a man who had read it, you understood that Hitler's expansion policy was directed to the east?

A. To the east.

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Q. And you thought that it would be better to try to divert Hitler from any such intention and to urge upon him a colonial policy instead?

A. Quite.

Q. This colonial policy that you talked to him about, was that to be achieved exclusively by negotiation or did that too have a possibility within it of the threat or the use of force of arms?

A. Never so. You remember that the colonies were not takenaway from us as property to somebody else but they were under mandate and the League of Nations statutes foresaw, as far as I remember, that some changes could be made in the provisions of the Treaty so that I was always endeavouring to convince the other powers that in order to give Germany the so-called Lebensraum it was the best thing to give her back some of the colonies. I have even never thought of all the colonies but of some colonial territory.

Q. With whom did you discuss, among foreigners of any standing, this question of colonial acquisition by negotiation?

A. I have made a good deal of public speeches even in the States about this problem and I have discussed it with almost all my friends and then you remember I think I stated that in former interrogations in the summer of 1936 I concluded to convince Hitler that he should take up the colonial policy and he sent me to Paris, which I proposed to him. He gave the agreement and I had discussions at that time with Leon Blum, Delbros, the Foreign Minister at that time, Spinasse, and others, and I found some inclination to discuss that matter with us and Leon Blum at that time promised me to get into touch with Mr. Eden and I fully agreed of course that it could only be achieved by an agreement with all the other Powers and that, of course, England had to be included in whatever plans would be made.

Q. What did you suggest as quid pro quo for this colonial transfer that you were proposing?

A. I didn't offer any quid pro quo, I say that will come itself, it will lead to peace and achieve a quiet and peaceful development.

Q. That carries with it the inference, does it not, that in the event that you could not get the colonies, that peace could not be assured, is that correct?

A. No Sir. I think that would carry the alternative that the economic and social problem in Germany would become so difficult that later on some troubles would arise and something had to be done so I thought in order to avoid such social troubles it had to be early.

Q. Social troubles are not the opposite of peace are they. The opposite of peace is war?

A. But there was no threat of war or whatever it was.

Q. Let me refresh your recollection, did you ever have any discussions with representatives of the United States Department of State in 1935 on the subject of colonies, in Berlin?

A. In 1935 in Berlin I think there was Ambassador Dodd and I think he was the only man with whom I have discussed it. When Ambassador Davies came from Moscow I had talks with him in Berlin too.

Q. But that was later?

A. That was later, yes.

Q. What in substance do you recall saying to Ambassador Davies about colonies?

A. I don't think I had talks with him about colonies especially because Americans were not immediately involved because they had no mandate as far as the situation was concerned. They had no mandate in the south - no, I don't think they had any mandate in Africa and I thought especially of Africa - so I don't think I mentioned to Davies but maybe I did.

Q. You had a talk with Davies on the 20 January 1937 in which you did discuss colonies. I wonder if I can refresh your recollection

A. I think I discussed mainly the question of maintaining peace.

Q. And in connection with that discussion about maintaining peace, did you not discuss the question of the acquisition of colonies?

A. I don't recollect but it is quite likely - quite possible.

XX By the way, Ambassador Davies has laid down some of our talks in his book and it may be seen from that.

Q. I wonder if you can recall. Do you remember at an earlier period, before talking with Davies, talking with representatives of the United States State Department concerning the colonial question?

A. I don't think so, I don't remember.

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Q. Did you ever make to anybody a statement to the effect that you would get colonies by negotiation if possible and if not we shall take them?

A. No, I certainly have never done so.

Q. That is a categorical statement you know

A. Categorical statement.

Q. Coming back to this statement that you made to Major Tilly about diverting Hitler's attention from German expansion to the east, you state in there parenthetically and I quote "which could not have been achieved without war". Do you recall making that statement?

A. Yes.

Q. What did you mean by that?

A. I didn't think any territory in the east could be won without going to war.

Q. And that, I take it, was your opinion as you said "very early".

A. All the time.

Q. So that I take it, that was your opinion as far back as 1931, in 1938, when you were having these discussions with Hitler. So that unless Hitler could be diverted as you said from his attention to German expansion to the east there was at least a possibility of war?

A. I never thought of that Sir, because in Mein Kampf Hitler had expressly stated that such expansion towards the east would only be possible if Great Britain joined Germany in that respect, had that aim, and I was full of confidence and certain that Great Britain never would, so in fact I have never been afraid of a war towards the east.

Q. But nevertheless you thought it worth while at least so you stated to Major Tilly to attempt to divert Hitler's attention from such a project?

A. Certainly.

Q. And by offering him as bait, as it were, colonial acquisitions that you were in favour of?

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A. Because I was of the same opinion as he was - that we needed some field of activity somewhere for our population and I thought we could never find it elsewhere but in some colonial activity and that is why I proposed that to him, or suggested it - tried to persuade him to aim at that goal.

Q. But then, as it ultimately happened, Dr. Schacht, Hitler did expand to the east?

A. Quite right - I mean he tried.

Q. But eventually it came to that?

A. Yes, eventually.

Q. And that came about without the alliance with Great Britain that he had mentioned as a prerequisite in Mein Kampf?

A. Even with the alliance of Great Britain I would never have done it because all these territories in the east are densely populated and there was no possibility for Germany to go there.

Q. But in any event you write yourself down at least as a bad prophet as to Hitler's intention with respect to the east?

A. I am sorry I did. I have been a very bad prophet about Hitler's mentality in the early years.

Q. In connection with the development of the rearmament program you would say certainly that the rearmament program was not directed towards the obtaining of colonies for the Reich?

A. Certainly not.

Q. And you deny any possibility of your having made any statement with respect to colonies to the effect that if we cannot get them by negotiation we will take them?

A. Impossible because it is an impossibility because how can we get colonies in Africa - by force? - it was impossible for Germany and certainly I didn't want it.

Q. So that if Hitler had any aggressive intentions in the back of his mind they could not then have been directed to the use of the Wehrmacht in respect of acquiring colonies that is clear? - and the only other possibility of aggressive intentions in Hitler's mind could have lain in the east - looked towards the east?

A. Maybe, I don't know.

Q. But at least that was a possibility that could not be excluded?

A. Yes.

Q. Coming back to this rearmament program that we were discussing last week or so, do you recall what the total figure was of the amounts expended for rearmament and for the Wehrmacht from 1934, that is to say, to 1938?

A. I can only tell you and repeat that I never knew about what was really spent on armament. I knew that 9 to 12 billions went into armament but as to the other amounts, I do not recollect the figures that were in the budget. I do not know whether those figures were correct.

Q. I just want to refresh your recollection. I believe that Hitler stated at the time of the attack on Poland that he had expended some 90 billions of Reichsmarks for armament.

A. I remember that very well and that figure is a pure nonsense which I stated immediately when I heard that. I said that shows what kind of a man he is.

Q. If you know that figure is nonsensical then you must have some kind of estimate as to what the correct figure was?

A. But I knew that 90 billions could not have been expended because they did not exist.

Q. What is your best estimate now?

A. I cannot tell you.

Q. Do you remember being interrogated by Major Ziegler. Do you recall having stated that the amounts expended for the re-building of the German Army and for armaments from the period 1934 to 1938 were substantial - about 45 billions of Reichsmarks?

A. Dr. Ziegler from his side gave some figures of taxes and loans and so on and we came to the conclusion that they might have reached that sum. I did not do it by my own knowledge but when he read his figures before me I have said "Well, that may be".

Q. To go back - that figure of 45 billions was also broken down as I recall it. I don't have it right before me but you had about 15 billions raised through taxes through the Reich budget during that period for armament. You had about 12 billion mefo bills - that is 27 billion. You had 8 billions from loans - that is 35?

A. That comes to 35 billions.

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Q. If all of the 8 billions has been spent on armaments, then this must be right. You would not say that figure of 35 billions was fantastic like the figure of 90 billions that Hitler said?

A. No, it would certainly not be so fantastic. I don't know whether these 15 billions have been spent on armaments and whether all the 8 billions loans went into armament. That I cannot control. The 12 billion mefo bills were exclusively appropriated for armament so I know that money was not spent for dinners and suppers.

Q. Let us go back for a minute and reconstruct the position. You had these conversations with General von Blomberg and Count von Krosigk each year with respect to the total requirements of the Armed Forces, is that agreed?

A. No. Only from 1936 on. I should say middle of 36.

Q. From 36 on. And those were the total budget figures which included, as everybody has testified, not only the operating expenses of the existing Armed Forces but also the accretions including the rearmament program itself.

A. It must have been.

Q. So that at that time, as President of the Reichsbank being called upon to supply funds, you undoubtedly considered what proportion of the total that was being asked for by the Wehrmacht you personally as President of the Reichsbank were being asked to furnish, that is only natural?

A. It is quite natural.

Q. These figures that we have quoted of approximately 35 billion Reichsmarks for the period, as against 12 billion from mefo bills, would represent approximately one-third of the total amount expended for armaments?

A. Yes, maybe.

Q. I asked you whether that computation refreshes your recollection to the point that roughly one-third of the monies expended for armaments came out of the mefo financing.

A. No, pardon me, I didn't know whether for instance the 8 billions of loans went into all of that.

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You don't understand me, I am trying -

A. Oh, I see now.

Q. - The total as given is one-third and I am asking you at random now as to whether that seems like the approximation that you had at that time as to what proportion of the total amount was raised.

A. No Sir, because all this money came up by and by in the course of time and of course I had never the possibility of comparing the various sources of these funds.

Q. Let us go back a bit. I don't quite understand if in 1936 Blomberg came and said he needed, for example, 6 million for his purpose.

A. He never did. He never came to me.

Q. No, he came to von Krosigk. When I say he came, I mean he came on behalf of the OKW or on behalf of the War Ministry - it doesn't matter - and said we have made a composite budget which includes Item A - Operating Expenses. Item B - capital accretions - that comes to this and this figure which I am now presenting to the Minister of Finance and to the President of the Reichsbank -

A. He didn't.

Q. - or just to the Minister of Finance and asked that those sums be supplied. As I understood from your testimony previously, you then for several years sat down with Finance Minister and the Minister of War for a determination as to how much the Reichsbank could finance of the total sum required?

A. I never sat together with the Minister of Finance and the Minister of War or with any of them, both of those two, because as to the finance of the Reichsbank which had to be made available, there was no fixed amount.

Q. There was no amount fixed for a long period of time, if I am wrong correct me?

A. Not even for a fortnight.

Q. But as I understood it, for each year?

A. No, no. I was never asked how much the Reichsbank could supply in say the next fortnight, the next month, or the next year because they drew on the Mefo and the bills came to me and I was never asked whether they could draw so much or so much. They simply drew.

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Q. I want to tell you that that is in conflict with the testimony of both Krosigk and Blomberg. I say that to you not because I want to influence you but simply out of fairness, so that you can see what is in the recollection of the others. The testimony of Blomberg in substance is that they would bring in the general figures primarily to Krosigk but you were also present for the Reichsbank, which would state in the form in which I have given it, the operating requirements and the capital requirements for the ensuing year.

A. That was never done. I am glad that Blomberg says primarily showed it to Krosigk.

Q. You were there too?

A. No, I was not there.

Q. So I understand that you never met with Krosigk and Blomberg together to discuss the requirements of the rearmaments program?

A. I would not say that. But I would say that they never asked me fixed amounts from me.

Q. I am asking you whether the War Minister did not state to you or in your presence at these meetings what the next year's budgetary requirements were?

A. No.

Q. So that - to refresh your recollection as I understand it now - you state clearly that you never knew during all the time that you were President of the Reichsbank how much was being asked for, for rearmaments by the Army, Navy, Marine Air, or the OKW?

A. Exactly.

Q. You have made suggestions from time to time to the effect that there came a point when you felt that the expenditures for armaments were excessive?

A. Quite.

Q. And I ask you now, at what figure did you first determine that the amounts were excessive?

A. I never came to this conclusion from any figures which I knew but from the general economic situation of Germany and from the money market situation, especially from the financing situation. When I saw that it was difficult to procure the devisen for our importing foodstuffs and raw materials fo

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export industries I say then we cannot afford to deliver all the raw material for armament which they seem to need because the first aim is foodstuffs and I can only get foodstuffs if I get export industries so we must maintain export industries and cannot simply buy without taking into consideration the general situation of German economy - that was the point from which I started.

Q. And when did you state that position?

A. I think it must have started in the middle of 1936 because I recall very well that I had lots of discussions, partly together with General Thomas and Blomberg and partly aside of General Thomas but he discussed the matter with me at the same time and I discussed the matter with General Thomas who was head of the Wehrwirtschaftruestungsamt and that on the 24th December, I remember the date because it was Christmas, I put all my thoughts together in a very sharp letter to Blomberg so it must have been the resumé of a few months' discussion, so I think that I started in the middle of 36, to discuss these things with Blomberg and Thomas etc.

Q. That would imply, logically, that you knew to what use the devisen were being put, is that correct?

A. If I must maintain export industries I had to shorten armaments.

Q. But that would imply that you knew what products were being purchased with the devisen that you were making available?

A. The same products as for the exporting industry because I have stated so often that you may need it for civil purposes and for military purposes but I knew that I had to maintain my exports and my exports were dwindling down and that was the reason why Hitler put me as deputy Minister of Economics on 1 August 1934 and I succeeded in bringing up exporting industries again so that we could get along but that did not last very long and therefore in the middle of 1936 I say "Now, the first aim is export industries and all the other things come afterwards, including armament, because if I cannot maintain export industry the raw materials for armament will also be lacking.

Q. So that in effect, what it amounted to was - correct me if I am wrong - a feeling on your part that not enough devisen were being supplied for the raw materials for the export industry?

A. Quite.

Q. And with the net result in the long run that, failing raw materials for the export industry, you would be lacking any exports, the wherewithal to obtain the raw materials that you needed for the domestic economy and for the armaments?

A. Including the armaments, correct.

Q. So that in effect, the question was a technical question, as to the means of production as it were of new devisen for the future through the creation of export articles which in turn would bring in valuta which would pay for imported materials required?

A. Quite.

Q. Aside from this argument about method which was essentially I take it between you and Goering - is that correct?

A. What methods?

Q. The method of whether or not to save enough devisen for the creation of other capital goods or for raw materials for export? You were in controversy with -

A. Hitler -with all of them except Thomas. Thomas has always been on my side. On several occasions I think Funk was also more on my side.

Q. Aside from this controversial question, essentially a question of timing, you had no serious disagreement in 1936 about the validity or the usefulness or the necessity of the rearmament program as such?

A. I have always stated, at least from the middle of 36 on, that th armament plan must be subordinated to the other means of the German economy.

Q. For the purpose ultimately of finding yourself in a stronger armament position by being able to continue currently the flow of the raw materials required - is that correct.

A. I don't quite understand. I say if there are not enough devisen to maintain German economy then we have to put this into the foreground and so slow down with other things including armaments and eventually stop armaments.

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Q. I think what you mean is what you once put in writing somewhere - a transition period when if you held up armaments for a time your position with respect to rearmament would inevitably be stronger?

A. I never knew at what point armament had to be sufficiently fulfilled so this question to postpone rearmament temporarily never came into my mind because my idea had always been not to arm more than in order to put Germany on an equal foot for international relations.

Q. Let me ask you, did you not once tell Goering that it might be better to slow up the armaments program for a short time in order to be able to build it stronger afterwards?

A. It may have been that I may have used this argument but certainly only because it pleased him - because he wanted to arm of course.

Q. Did you ever give as a reason for such armament that it might be better for the rearmament itself for technical reasons, to improve the materials which had been produced, to train the soldiers and so forth?

A. It may also be that I have used that. I had to use arguments which appealed to them.

Q. Just to get your position straight on the record - as I understand it you say that you never knew the total amount of the expenses for armaments at any time?

A. Quite.

Q. That you never knew the actual extent of armament, is that correct?

A. Quite.

Q. And that nevertheless a certain time came when you felt it was too much?

A. Quite.

Q. In connection with that feeling that it was too much, I take it that that didn't mean that there were too many guns or too many tanks or too many divisions because, as you have said, you didn't know what they consisted of?

A. Quite.

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Q. Therefore - if I am wrong correct me - you did not feel that the German economy and particularly the currency system could from a certain point forward stand certain expansions of credit or other inflationary tendencies -

A. Over-taxing or any inflationary tendencies - quite. May I add this. I was always of the opinion that armaments had to be entirely within the possibility of German economy without lowering the standard of living too much.

Q. In substance, for the short run the armament industry was one of the factors which presumably raised the standard of living by giving employment and by inevitably raising wages because of the pressure on commodities?

A. Certainly that is why I have always insisted upon maintaining the price level and the wage level and not to raise them and as long as I was Minister of Economics I think I have succeeded in doing so and it was only by the exaggeration which was induced by Goering that this ended.

Q. In other words, as long as you maintained the full control that you had as Minister of Economics without the intervention of Goering and the Four Year Plan, you could re-build German industry on a peacetime basis, at the same time providing for rearmament and maintain price and wage controls so that the economy would not be dislocated and cause a dangerous situation?

A. That was my aim, I think that I have succeeded fairly satisfactorily

Q. So that in taking stock of what you accomplished during the period you were in charge we should measure it at the start at least from the years 1934 until the end of your mefo financing which would bring us into the spring of 1938, is that correct?

A. Yes, except that from Fall 1937 on I had no more control of the economic situation.

Q. I understand that but basically what was built up in Germany in the way of an armaments industry, a domestic economy that was sound and a Wehrmacht, the efforts that you put in from 1934 to the spring of 1938 when the mefo financing stopped, were responsible in large part for the success of the whole program?

A. I don't know whether they were responsible for it but I helped a great deal to achieve that.

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Q. I mean in a negative sense as well, in not permitting a runaway inflation and providing for proper price controls and so forth?

A. Quite.

Q. For that you would take credit would you not, as the man who saved German economy?

A. I had a great deal to do with that.

Q. Turning to another subject. You remember we discussed the Anschluss with Austria last time I talked with you and you made a statement about that. I just went to refresh your recollection about what you said in the statement and see if it is still true. I want to give you some questions and answers. We were talking about the methods that Hitler used in the Anschluss you remember and you said as follows:-

"Q. Actually Hitler did not use the precise method that you say you favoured?

A. Not at all.

Q. Did you favour the method that he did employ?

A. Not at all, Sir.

Q. What was there in his method that you didn't like?

A. Oh, it was simply over running, just taking the Austrians over the head, or what do you call it. It was force and I have never been in favour of such force"

Do you remember making that?

A. Yes.

Q. Later on in that interrogation you referred to a speech that you made in Vienna shortly after the Anschluss?

A. Before the employees of the Austrian National Bank.

Q. You remember making that speech?

A. Yes.

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Q. I believe I also asked you as follows:

"And yet you characterise the methods as those which you did not or could not approve?

A. Reckless;

Q. Yet Hitler accomplished the result that you were in favour of. Did that make a difference in your opinion?

A. It doesn't make a difference to the facts but it makes a great difference to the feelings.

Q. Would you explain that a little more?

A. I would have liked the Austrians to come willingly and voluntarily into the Reich and not by force. The fact that they have come into the Reich by force means certainly that their willingness had been hurt".

You remember making these answers?

A. Yes.

Q. That is still your statement on that subject?

A. Yes, it is.

Q. Did you feel, Dr. Schacht, at the time you went to Vienna to make the speech within the week after the Anschluss that by your financing of rearmament you had enabled Hitler to use the Wehrmacht to accomplish his purpose by these methods that you did not favour?

A. In fact the Anschluss was made by the propaganda which Hitler did in Austria and by political pressure which he brought upon Schusnigg and others - I don't know who were the leading men at that time. He did not use the military force in order to shoot or to make war, it was just the pressure which was behind it.

Q. Did the Wehrmacht or the fact that there was a Wehrmacht have anything to do with the result in your opinion?

A. I don't know how far the propaganda and the pressure which came from the Austrian Nazis would have succeeded if there had been no Wehrmacht.

Q. What I mean is did you at that time credit the Wehrmacht as an instrument for the achievement of Hitler's march into Austria?

A. I have never thought of that.

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Q. I want you to think about that now. Logically, of course, anybody would have thought of it as the whole world did at the time?

A. Yes but I have never thought that it was primarily the Wehrmacht which forced the Anschluss so that for the Austrians there was the alternative, I think, whether to make the Anschluss or we will be at war with Germany .

Q. Did not Schusnigg call for a plebiscite which he had to call off by a show of arms by Hitler?

A. I don't know what the arrangements between Schusnigg and Hitler have been at that time.

Q. But that was a matter of common knowledge - in the press of the world at the time? You remember the ultimatum of Hitler - the ultimatum to Schusnigg?

A. I know that.

Q. which was based on the fact that Hitler was prepared to march?

A. That I didn't know.

Q. What they stated.

A. I believe so. I just don't remember. But you say it is public knowledge - I would like to see that.

Q. That the Wehrmacht was strong enough at that time and in a position to impose Hitler's will on Austria in the event that Schusnigg did not comply with the ultimatum?

A. There can be no doubt because there is the people of 80 million on one side and on the other side a people of 6 million but I do not remember that such a menace was ever made.

Q. Let me see if I can refresh your recollection about your views on the 31st March 1938?

A. 31 March 1938.

Q. At the time at which you made a speech before the employees of the former Austrian National bank?

A. Yes.

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Q. The Anschluss, you remember, was on the 13 March 1938 and this is eight days later. I will read it to you in German first and then we can translate it for the record and I want to see if you remember first making this statement in the speech. Do you remember saying it?

A. Certainly.

(The English translation was then given, as follows):

"Thank God these things have finally come to pass that they could not further hinder the great German people, for Adolf Hitler created a society of German will and thought. He supported it through a newly strengthened Wehrmacht and through them he finally brought the inner union between ~~and~~ Austria and Germany also into this outward form".

A. Quite, you are correct, yes

Q. I ask you whether that passage in the speech refreshes your recollection as to the thoughts that you had as you stood there before the employees of the Austrian National Bank in Vienna on the 31st March 1938 with respect to the role that the Wehrmacht had played in Hitler's achievement.

A. Yes, you remember that in 1932 I think it was, the Austrians and the German Government agreed about customs union. That customs union was prevented by the Allied Powers and not only Anschluss, which was not in question at that time, but even a mere customs union was not allowed to be contracted or closed. The fact that Hitler had put Germany on an equal international foot again with the neighbouring powers made the Anschluss possible and was one of the aims which I had always had in mind, by force of rearmament was achieved because at that moment the Foreign Powers did not any more hinder the Anschluss.

Q. You characterised in last week's interrogation, Dr. Schacht, the method used by Hitler as "Reckless". What did you mean by that?

A. I meant that if Hitler forced these things upon the Austrians it was not good. He should have allowed the plebiscite. The fact that he did not but that he hindered the plebiscite was certainly not favoured by me.

Q. You still say you did not favour the methods that Hitler used?

A. Yes. I only favoured the fact that the Foreign Powers did not any more hinder the coming together of Austria and Germany and that was due to the rearmament.

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Q. In other words, the Army stood there let us say as a weapon in the hands of the politics of Hitler, vis-a-vis the Austrians.

A. Not vis a vis the Austrians but vis a vis the Allies - that is important.

Q. In other words you felt that the Wehrmacht had up till March 1938 been so strengthened that it was a sufficient threat to prevent the Allies from doing anything preventive in respect of Austria?

A. I don't know I am sure. To go to war at that time we would have been beaten the same way as we have been beaten now, but the fact that we had rearmed had the real effect that they didn't intervene.

Q. I am a bit naive about these things I must say. You say that the main use of the Wehrmacht in 1938 as an instrument for Hitler was not vis-a-vis Austria but against the Powers?

A. Not against the Powers but vis-a-vis the Powers.

Q. That means that the Wehrmacht must have been strong enough to have an effect on any potential conflict. In other words no longer a negligible force?

A. I don't say that - even in 1934 the Allies suspected the rearming of Germany already so it was not comparison of forces which I had in mind but simply the fact that we had armed or we were arming. We had armed.

Q. But basically you consider, as I understand it, that by 1938 Germany had resumed what you consider its rightful position as one of the armed Powers of Europe.

A. I was sure of that.

Q. Going back to this question of method which you still say you opposed, you may see if this refreshes your recollection as to what you felt in Vienna in March of 1938. It starts:

> "But the goal I believe no-one doubts, and the scoffers on method must be told that it cannot be made right with everybody. This one says "He would have done it that way or perhaps this way" but the note-worthy thing is that they did not do it (laughter) but the one who did do it was our Adolf Hitler (strong continuing applause) and if there is anything to improve let these quarrelers try to improve it within the German Reich and within the German society and not harm it from the outside (vigorous agreement)"

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Q. You remember making-that statement?

A. Certainly.

Q. In that statement of course, as you will recognise now, there is no criticism certainly of the method that was employed but rather a public praise of Mr. Hitler for the manner in which he achieved his results?

A. I don't think it is a public praise. The one might criticise and the other might not but say "the fact is there, don't let us talk about the methods any more".

Q. Actually you say "but our Adolf Hitler did it"

A. Certainly.

Q. And you now say, do you not, that the inference from the statement is not one of praise?

A. Certainly not.

Q. What I am trying to ask you now is that the fair inference from this is ~~not~~ that you were praising Hitler for the method of his?

A. I did not praise him

Q. Tell us what your views were with respect to Hitler in March 1938 at the time after the Anschluss when you were in Vienna. Were you still his strong supporter?

A. I was very glad that the Anschluss succeeded and I was very happy about the Anschluss itself. I have criticised Hitler already years before and many methods of his I have disapproved of entirely, especially all th se which were on the moral side.

Q. To-day for example you would say that you didn't think much of Hitler I gather from what you have said?

A. Certainly.

Q. Going back, I am just asking you now whether what you felt about Hitler as you recollect it as late as March of 1938 after the Anschluss?

A. I told you that already before the Anschluss I have criticised many of his methods which I learned in the meantime and which I didn't favour.

Q. On the whole, were you still an adherent of Adolf Hitler in March 1938 after the Anschluss?

A. No, internally not, not any more, because a few months later I made my first plot against him.

Q. Let me see, as to the time. You said at the conclusion of this speech, you made a peroration to the audience, the employees of the National Bank, in which you said:

"Now I beg you to rise (the audience rises). We will to-day make a confession for the great family of the Reichsbank. We shall make a confession for the great German peoples community. We shall make a confession for our newly risen powerful great German Reich. And we will make a confession for all these feelings. To that man who has brought about this change I beg you to raise your hand and to repeat after me the following:

'I vow I shall be true and obedient to the Fuhrer of the German Reich and people, Adolf Hitler, and fulfil my duties conscientiously and unselfishly.'

(The audience repeats with raised hand the oath)

You have expressed this oath, a bad fellow who breaks it. To our Fuhrer, three cheers."

Do you remember that?

A. Certainly.

Q. Did you mean that peroration when you said it?

A. Sir, I was under formal obligation in my position and in taking over the bank, the Austrian bank. This everybody had to do at the time who became an official of the Government or of Governmental institutions, amongst which the Reichsbank was one. I could not escape saying that unless I had to risk my position and most probably I would even not any more be alive.

Q. Let me see, I thought that you had stated some time before that by this time - 1938 - you were looking for an excuse to get out, was that wrong?

A. No, I was already. But that is no excuse, it would have been suicide.

Q. You felt that this was just a formal thing and that you didn't necessarily mean what you said?

A. Entirely. I was very satisfied with what Hitler had achieved in external politics and in the standing of the Reich but I did not agree with his methods and with his other aims.

H3220 - 0025

Q. You may remember that I asked you last time, in the interrogation of 26 September 1945,

"Q. Did you ever state to them that only those who had loyalty to Hitler could remain?

A. I never did. My speech which I made to the employees must certainly be in the files of the bank.

Q. And the speech that you made represented your views at that time naturally?

A. Certainly. I never said anything which I didn't mean."

Do you recall making those answers? Would you like to withdraw that - I just want to know where you stand?

A. No. I would like to make clear that I have praised Hitler and appreciated what he had done in bringing Austria into the Reich, in re-establishing the international position of the Reich. I have not been in concurrence with his moral principles. And I don't think that from this speech you can take it that I approved his moral principles.

Q. That is your explanation?

A. Yes.

Q. As to the whole National Socialist point of view, did you by March 1938 change your mind about your enthusiasm for it?

A. Oh yes, long before that.

Q. Did you still consider yourself more or less a National Socialist in outlook in March 1938?

A. I have never been a National Socialist and I don't think that anyone ever took me for a National Socialist.

Q. You did occupy a position in the Reich Government which was a National Socialist Government?

A. Quite.

Q. And you did receive a golden swastika in recognition of your services, which I believe you wore as a matter of fact?

A. No, I never wore it.

Q. Some people say they saw you wear it?

H3220 - 0026

A. On some official occasions I may have put it on but in daily life I never wore it.

Q. You say in March 1938 after the Anschluss you certainly did not consider yourself a part of the National Socialist outlook on life?

A. I think nobody took me for that.

Q. I find this sentence here - I just want to ask you what it means. You make a statement as follows:

"The Reichsbank will always remain National Socialist or I shall no more be its leader"

Do you remember making that statement?

A. Yes, certainly.

Q. What did you mean by that?

A. I think that the good things of National Socialist programs and politics had to be carried out, which means all these things which they did in doing away with unemployment, in putting Germany on an international foot again and trying to bring Germany to a prosperous economic set up.

Q. What has that to do with the Reichsbank?

A. It was one of the Reich institutions and I had to direct it.

Q. Do you mean anything by the National Socialist way of running the Reichsbank?

A. Just what I stated.

Q. That is the whole explanation of the phrase?

A. I don't see any other one.

Q. I am just asking you?

A. Yes.

Q. I also asked you before we looked at this speech about whether you had ever taken a position with reppect to the political loyalty of the employees of the Austrian National Bank. Do you remember that. I will see if I can find it.

A. I remember very well.

H3220 - 0027

Q. Here it is -

"Q. Did you also consider that it was necessary to eliminate all political opponents of Hitler among the Austrians who were in the bank?

A. As long as I have been head of the Reichsbank no-one was eliminated from the Austrian bank"

A. I think that is wrong now. It is wrong, of course you have to be loyal to Hitler. I didn't know what you meant by that when you put that question to me. I have certainly pledged the employees of the Austrian National Bank to be loyal to Hitler.

Q. I will read it sentence by sentence, and see which you want to eliminate or recall.

"Did you also consider that it was necessary to eliminate all political opponents of Hitler among the Austrians who were in the bank?"

And your answer to that was:

"As long as I have been head of the Reichsbank no-one was eliminated from the Austrian bank."

A. According to my recollection that is correct.

Q. That you wish to let stand?

A. Yes.

Q. "Did you ever state to them that only those who had loyalty to Hitler could remain?"

A. I think that is wrong.

Q. Just to indicate that we are both proceeding on the same text, may I read to you a sentence from this speech, the same speech in Vienna:

"I hold it as clear that no-one will find a future with us who doesn't stand with Adolf Hitler with his full heart. (Strong continuing applause, calls of Sieghail) Who doesn't do this should remove himself from our circle (stormy applause)."

A. Yes, that is right.

H3220 - 0028

A. It means that I would not exclude him but if somebody was not in agreement he should leave the bank, I suggested he should.

Q. You say that at that time you already had substantial doubts about the moral qualities or position of Hitler?

A. Yes.

Q. And yet you urged publicly the employees, and I take it that means the small employees as well as the large, to be true to this man whose moral qualities you already doubted?

A. I am sorry I did, yes, I had to do that.

Q. In connection with that oath you made them take at the end of the speech, did somebody direct you to do that?

A. That was prescribed before by Hitler.

Q. But the words of the oath were obviously of your own choosing?

A. No, I think the words were orders. It was the words which every official had to make. I must make it.

Q. Who ordered you to do that when you went to Vienna, do you remember?

A. Not especially, it was a general prescription.

Q. And you wanted the people, I take it, to live up to it, or didn't you?

A. I think I had to do it and I myself did not live up to it later.

Q. But you make this statement at the end of the oath after everybody had raised his hand and made this oath. Did you say the following:

"You have expressed this oath, a bad fellow who breaks it"

A. Yes I agree to that and I must say that I myself broke it.

Q. Do you also say that at the time that you urged this upon the audience that you already were breaking it?

A. I am sorry to say that internally I was very shaken in my loyalty already at that time but I hoped that things would turn out well at the end.

H3220 - 0029

Q. We touched on another subject in the last interrogation of 25 September 1945 and that was with respect to your being named the Plenipotentiary for the War Economy. Do you remember that? Do you recall being appointed to that position?

A. Yes.

Q. Do you recall that it was in 1938?

A. I don't know but it was very early.

Q. Let me show you this, which is marked "Exhibit A, 12 October 1945, E.D.Low" and it is a copy of a document dated 24 June 1938 signed by Blomberg, and ask you if you recognise that paper? Do you recognise it?

A. Yes.

(Dr. Schacht identifies the paper previously marked as "Exhibit A, 13 October 1945, E.D.Low")

Q. That was the paper under which Hitler appointed you as the Plenipotentiary for the War Economy?

A. Yes.

Q. That was, I take it, under the Law for the Defense of the Reich dated 21 May 1935, a copy of which apparently is appended hereto?

A. Yes, that is alright.

Q. What did you conceive your duties to be under that appointment?

A. I had not the slightest idea Sir, because it was early in that time and I never thought of any possibility of coming into such an eventuality and it was a general order within the frame of the total rearmament and construction of the War Ministry.

Q. Was there any discussion with you about mobilisation?

A. Not except in the Cabinet, where this law was made.

Q. After the Cabinet discussions when you were appointed, did you ever have any discussions with anybody with respect to mobilisation?

A. I don't remember but I might have.

Q. Maybe you had better look through this thing a little more carefully and see if it refreshes your recollection about the event of mobilisation

A. Yes.

H3220 - 0030

Ed.

Q. Shall I read it --------. I think it is clear that you had better look at the whole thing.

A. Yes.

Q. What did you do, Dr. Schacht, in pursuance of the office conferred upon you by Hitler as Plenipotentiary for the War Economy?

A. As far as I remember, one of the officials of the Ministry of Economics was ordered to get into touch with the other Ministries and do the needful - what should be done - and I think it was Dr. Hurt.

Q. Ordered by whom, by you? You were his chief, you ordered him?

A. Yes, I ordered him. I put the whole thing on the department of my Ministry into his hands.

Q. Did you also purport to act in your separate capacity as General Plenipotentiary as distinguished -

A. Purport?

Q. Did you also act in that capacity as well as your separate capacity as Minister of Economics?

A. I think it was the Ministry of Economics at that time who was named Plenipotentiary for that case and when I retired from the Ministry this office was also taken away from me.

Q. I don't think you understand me. Did you handle certain secret Reich matters in your office as Plenipotentiary for the War Economy rather than as Minister of Economics?

A. I don't remember. I t was handled in my Ministry.

Q. Did you appoint Wohltat to be your deputy in your capacity as Plenipotentiary for the War Economy.

A. I doubt it - Wohltat? I doubt it but it may be. I don't remember.

Q. Did you also have an assistant named Gorle, do you recognise his signature here.

(Witness is shown a paper)

A. Can you give me the name - I cannot read it.

Q. Let me show you this.

(Witness is shown another paper)

H3220 - 0031

A. May I look into that?

Q. Please.

A. I have never seen this. I don't name the name.

Q. Certainly you have seen the stationery I take it?

A. Oh yes. It may be that it has been done by my officials.

Q. In the Generalbevollmaechtigter?

A. That means Plenipotentiary.

Q. That doesn't refer to your Reichsbank position, I am surprised to see here.

A. Most probably, because I was only Commissar you see.

Q. You used it as a post office address more than anything else I take it and the reference to Generalbevollmaechtigter?

A. That has nothing to do with the Reichsbank.

Q. Would you look at the red stamp which appears under the black print there?

A. I don't know that. I don't remember it.

Q. Let me show you something else. Here is another piece of paper on the same stationery, a copy which is signed by Wohltat as your deputy?

A. I see it for the first time in my life but it is alright.

Q. You don't mean to say that Wohltat appointed himself as your deputy?

A. No, certainly not.

Q. You must have appointed him?

A. Certainly but I don't remember.

Q. In connection with that position, was it your duty to be prepared in the event of war for the control of the German economy?

A. I think that is true - that is correct.

H3220 -0032

Q. And is it correct to say that you then occupied a position of equal rank with the Chief of the General Staff of the Wehrmacht?

A. Not of the General Staff, I think the War Ministry.

Q. In other words you agree with Marshal Blomberg when he says that in your capacity as Plenipotentiary for the War Economy you were not under him but you were on a comparable footing with him?

A. Quite.

Q. So that the people who were charged with the responsibility in the event of war - No.1. Minister of War and the Chief of the General Staff of the Wehrmacht and No.2. on a similar footing, Dr. Schacht as Plenipotentiary for the Economics.

A. Yes.

Q. Do you recall that General Thomas conducted some economic war games in the summer of 1937?

A. Yes.

Q. What did they consist of, do you remember?

A. No I don't but I thought it was one of the methods of the General Staff.

Q. For the contingency of war?

A. In case of war, yes.

Q. In other words, they were called and were in fact Kriegsspiele - war games?

A. Yes, certainly. Naturally - Kriegsspiele.

Q. I was just interested. Do you remember what took place there?

A. No.

Q. Do you remember being present.

A. I think I was present once.

Q. I will refresh your recollection - it was at Godesburg in 1937/

A. Yes, that is right.

Q. And you gave a lecture there I believe, or said something?

A. Not a lecture, I may have spoken there but I don't remember.

H3220 - 0033

Q. Do you remember General Thomas thanking you in the presence of all as a busy man as having come to participate in these war games?

A. Certainly, it was polite.

Q. Do you remember that General Keitel was there too?

A. I don't know but maybe

Q. So that I take it you were there naturally in your official capacity as the Plenipotentiary for the War Economy?

A. Certainly.

Q. And that means, I take it, that you were performing the functions of that office as late as the time of the war games in 1937?

A. Yes.

Q. Did you ever have any discussions about your jurisdiction as between yourself and the Minister of Finance and as between yourself and the General Staff in the event of war?

A. I don't recollect.

Q. You don't?

A. No.

Q. I remember this man's name now - it is Korbe?

A. No.

Q. He was an assistant to Wohltat?

A. It may be but I don't remember. I might have heard the name but I don't know who he is or who he was.

Q. Tell me, do you remember in 1937 Keitel writing to you about differences of opinion as to the jurisdiction between yourself as Plenipotentiary over certain parts of the Finance administration and Goering on the other hand?

A. No, I don't but maybe.

Q. Do you remember writing a letter, January 18, 1937, to the Minister of the Interior in which you object to the proposed law about war administration, mostly on jurisdictional grounds and wherein you said "I am engaged in the preparation of the war economy according to the principle that our economic war organisation must be so organised even in times of peace that

H3220 - 0034

the war economy can be directly diverted in case of emergency from this peacetime organisation and has not to be newly created at the outbreak of war"?

A. I don't recall it but it is certainly correct.

Q. And that represented your view as of January 1937?

A. Certainly.

Q. Do you remember discussing with Hitler the need for gold in the event of war?

A. No Sir but I can give you my opinion, what I have always thought. Shall I?

Q. Yes please.

A. I didn't think that gold was of great value in case of war. First of all we had little gold and secondly in case of war it would have been difficult to use it so I didn't pay very much attention to an amount of gold at all.

Q. Just to come back for a moment. You recall you were asked by Mr. Hynning some time ago about an alleged secret gold fund of the Reichsbank and I also ask you?

A. Yes, yes.

Q. We have talked to some directors of the Bank and everybody recalls it apparently except yourself. It was a sum that ran into several hundred millions and I am just wondering if between the time since you were first asked -

A. I have thought a great deal about that but I don't know.

Q. You don't know?

A. No. I would like to see Puhl about it - what he meant/

Q. xxxxxxxxxxxxxxx You know that the bank was purchasing gold during the period 1936 on?

A. I think we bought everything that we could do.

Q. You bought legally on the market You were conserving gold as far as possible as part of your policy, was that so?

A. I think I wanted to have a gold fund only..

H3220 - 0035

Q. In other words, you paid off the Bank of International Settlements when you first came in and from that time you were hoarding gold as far as you could? You were buying more abroad through these diverse forms of foreign exchange that you had created and not with gold that is correct?

A. Yes, by exporting goods and by using various credit devises and what not. That didn't bring gold.

Q. But it brought goods?

A. It reduced partly our debts and partly it brought goods.

Q. So that basically your policy was not to expand the gold stock that you had on hand because you didn't have to?

A. I think I wanted to build up a gold fund.

Q. From this period 1935 or 1934, until the time you left the Reichsbank, you continued to purchase gold in rather large quantities?

A. I don't know how much it was.

Q. It was a question of basic policy. Puhl could not decide that?

A. We needed gold for buying things, for purchasing things. We also sold gold in order to get devisen to get foreign money. We did both, we bought and sold.

Q. Basically, do you remember that the gold balance of the Reichsbank as such during all these years remained constant - some 70 odd millions?

A. From 1935.

Q. And yet, if you look at the purchase of the gold discount bank particularly you will find that enormous purchases of gold were made in foreign markets?

A. I would like to discuss that with Puhl. I don't know.

Q. If that is true it would be difficult to understand that explanation as to how the gold balance remained constant?

A. Quite.

H3220 - 0036

Q. Except that this gold was reserved for purchases?

A. Just as devisen, as dollars and pounds and so on.

Q. Do you remember in the last war the gold fund that the Reichsbank had for the purchase of raw materials in neutral countries - in World War I?

A. No.

Q. The Julius Fundor something like that?

A. It is ridiculous - 120 million marks.

Q. But it was a gold fund and it was used for what purpose?

A. It was probably for all kinds of purposes.

Q. Had you heard about it?

A. Obviously.

Q. Was it used for war purchases?

A. No.

Q. The name is familiar - it has beenfamiliar since 1871. Was not that basically a war reserve fund?

A. I have not been in the politics of those times.

Q. As a banker and as an historian surely you must have known about it?

A. I didn't know what it was for.

Q. I am surprised at that because not only in German banking circles but elsewhere it is commonly known that it was the fund during World War I as a war gold reserve of the Reich.

A. There is no argument about that.

Q. I wanted to ask you whether you had a similar fund during a period 1938 until you left the Reichsbank of gold?

A. Not for that purpose. If there was gold it was for the general purposes of the Reichsbank and not for war.

H3220 - 0037

(Thereupon at 1630, 13 October 1945, the hearing was adjourned)

APPROVED:

INTERROGATOR: _____

REPORTER: _____

I certify that the above is a true, correct and complete copy of the original transcript of the interrogation of HJALMAR SCHACHT, taken at Nurenberg, Germany, 13 October 1945.

9 January 1946

SAM HARRIS
Captain, JAGD

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J: H. SCHACHT, 13 OCT. 1945

Exhibit USA 633 (3727-PS)

Filed Jan. 11, 1946

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